Cashless System Commission
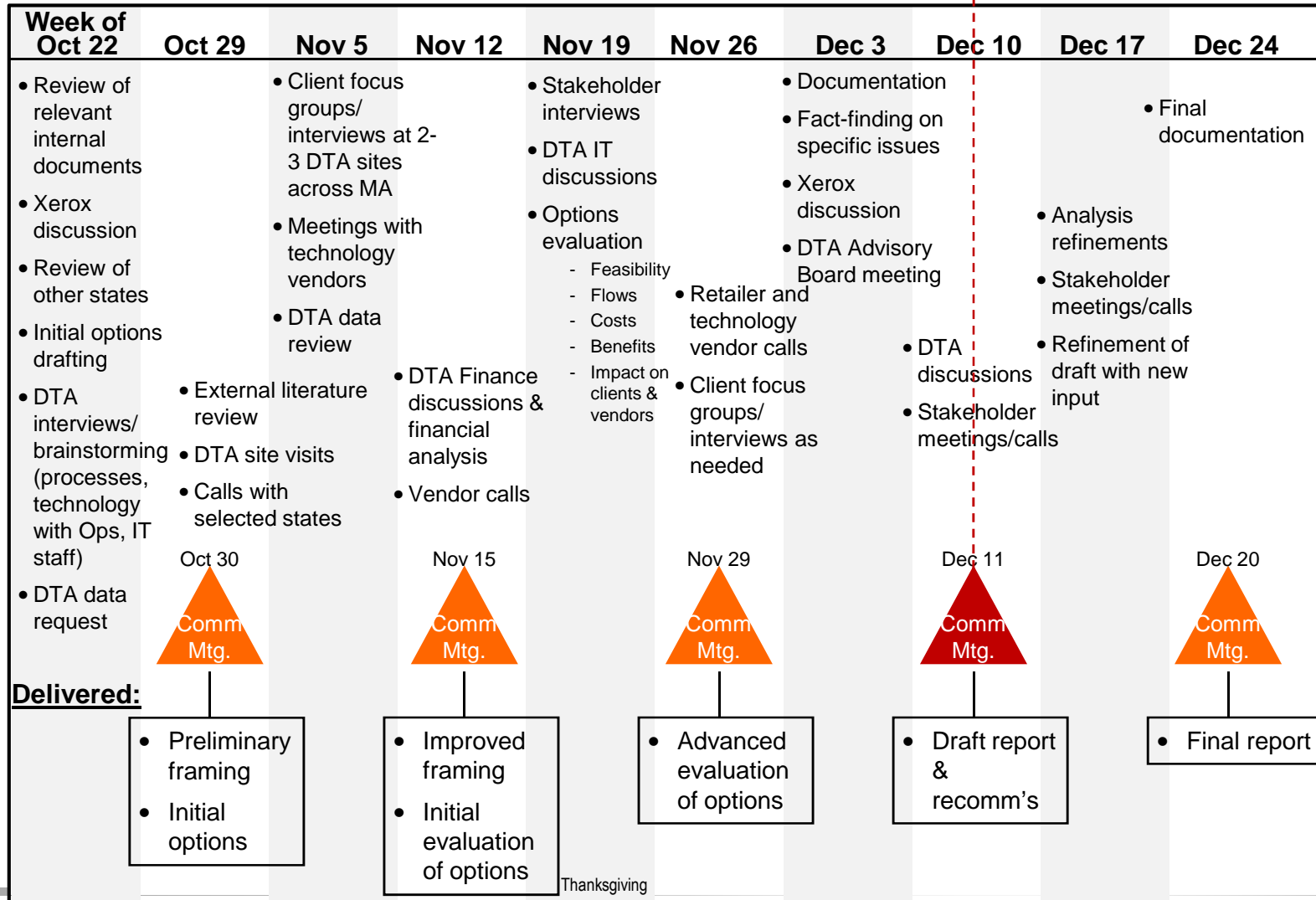
Draft Report & Ripples Recommendations

December 11, 2012

The Ripples Group

Project Timeline

Today

Week of Oct 22	Oct 29	Nov 5	Nov 12	Nov 19	Nov 26	Dec 3	Dec 10	Dec 17	Dec 24

• Review of relevant internal documents
• Xerox discussion
• Review of other states
• Initial options drafting
• DTA interviews/ brainstorming (processes, technology with Ops, IT staff)
• DTA data request
	• External literature review
	• DTA site visits
	• Calls with selected states
		• Client focus groups/ interviews at 2-3 DTA sites across MA
		• Meetings with technology vendors
		• DTA data review
			• DTA Finance discussions & financial analysis
			• Vendor calls
				• Stakeholder interviews
				• DTA IT discussions
				• Options evaluation
				  - Feasibility
				  - Flows
				  - Costs
				  - Benefits
				  - Impact on clients & vendors
					• Retailer and technology vendor calls
					• Client focus groups/ interviews as needed
						• Documentation
						• Fact-finding on specific issues
						• Xerox discussion
						• DTA Advisory Board meeting
							• DTA discussions
							• Stakeholder meetings/calls
								• Analysis refinements
								• Stakeholder meetings/calls
								• Refinement of draft with new input
									• Final documentation

Oct 30
▲ Comm Mtg.

Nov 15
▲ Comm Mtg.

Nov 29
▲ Comm Mtg.

Dec 11
▲ Comm Mtg.

Dec 20
▲ Comm Mtg.

Delivered:

• Preliminary framing • Initial options	• Improved framing • Initial evaluation of options	• Advanced evaluation of options	• Draft report & recomm's	• Final report

Thanksgiving

Sources of Information

Field Research

- Visits to Dudley Square, Southbridge & Malden DTA offices
- Confidential one-on-one interviews with >50 clients & several TAFDC case workers
- Focus group of 7 DTA interns (cash assistance beneficiaries)
- DTA Advisory Board Meeting (Chelsea)

Fact-Finding Discussions

- Xerox: MA & CA EBT managers
- Other states: CA, TX, MN, CO, KS
- DTA management
  - Operations
  - Technology
  - Program Integrity
- FNS Northeast Field Operations
- Administration for Children and Families
- Retailers Association of MA
- Walmart
- EHS (MassHealth) client risk assessment

Key Documents & Secondary Research

- OFA TANF Ninth Report to Congress
- Welfare Rules Databook (Urban Institute)
- State-specific efforts to regulate cash assistance use
  - GAO
  - Center for Law and Social Policy
  - E-Government Payments Council
  - First Data
- DTA-internal data (Apr – Sep 2012)
  - Organization
  - Caseload
  - Funding
  - Redemption
  - Transactions
  - Card use
- Population spending pattern research
- First EBT Commission materials
- SNAP fraud tracking information
- WIC EBT technical feasibility & cost data
- Massachusetts Economic Independence Index (Crittenton Women's Union)
- "Availability heuristic" research

Agenda

- **New Information**

- **Recap & Recommendations**

- **Preliminary Vote on Options**

- **Draft Report**

- **Next Steps**

Majority of clients report no other state benefits
## But over half get help from friends or family

Q: What other benefits do you receive?
Does anyone help you with household costs?

% of TAFDC Recipients

Category	%
Housing/Shelter	41%
Child Care	37%
Non-SNAP Food Assistance	24%
Education Services	22%
Employment Services	20%
Other Benefits*	13%
Help From Friends/Family	57%

State benefits
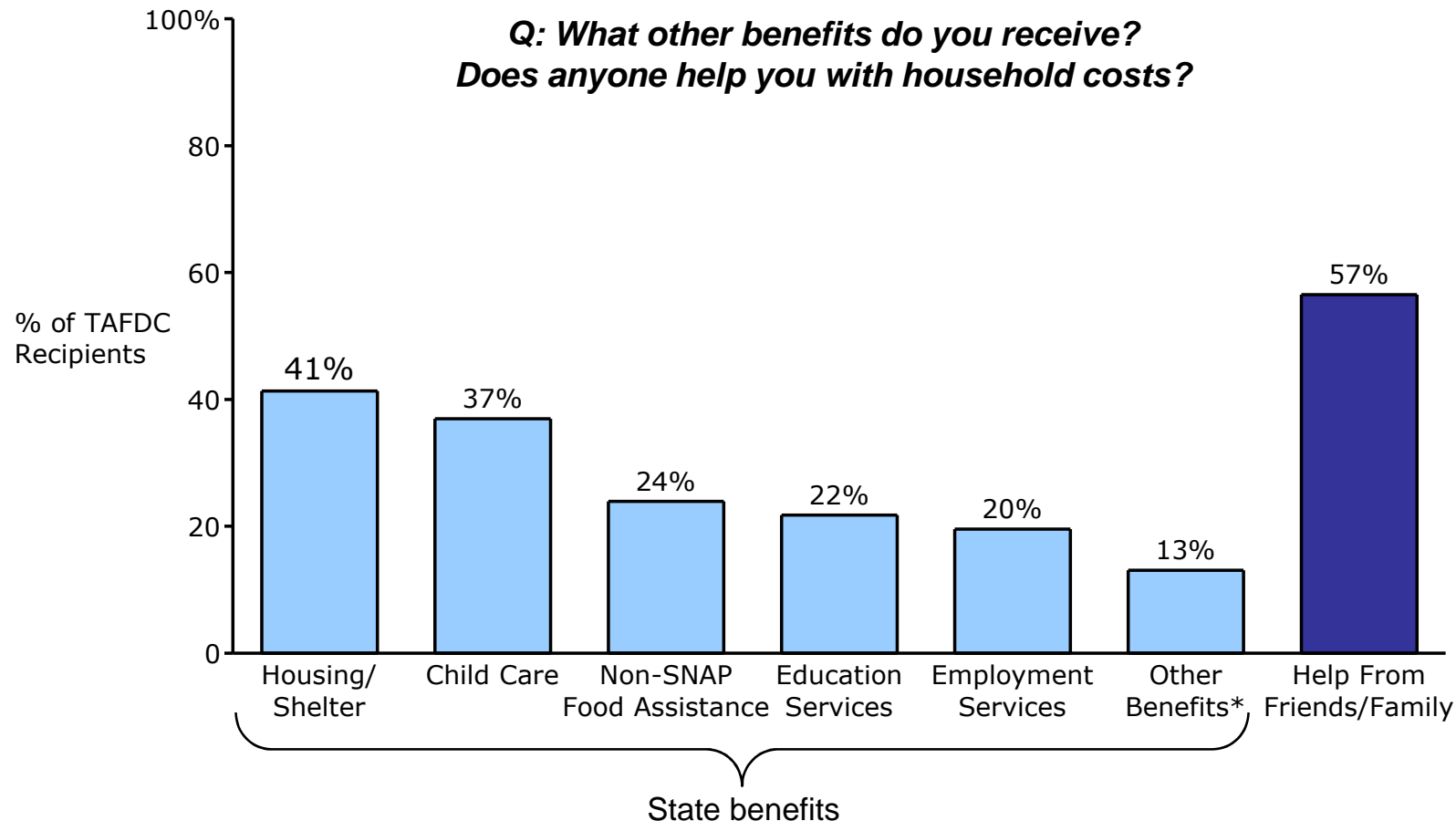
N = 46
* Other benefits include SSI, MassHealth, and DOR child support
Sources: Ripples client interviews (Nov 2012)

~20% of cash assistance recipients have no housing or utilities expenses

% of Total Caseload: 18%   24%
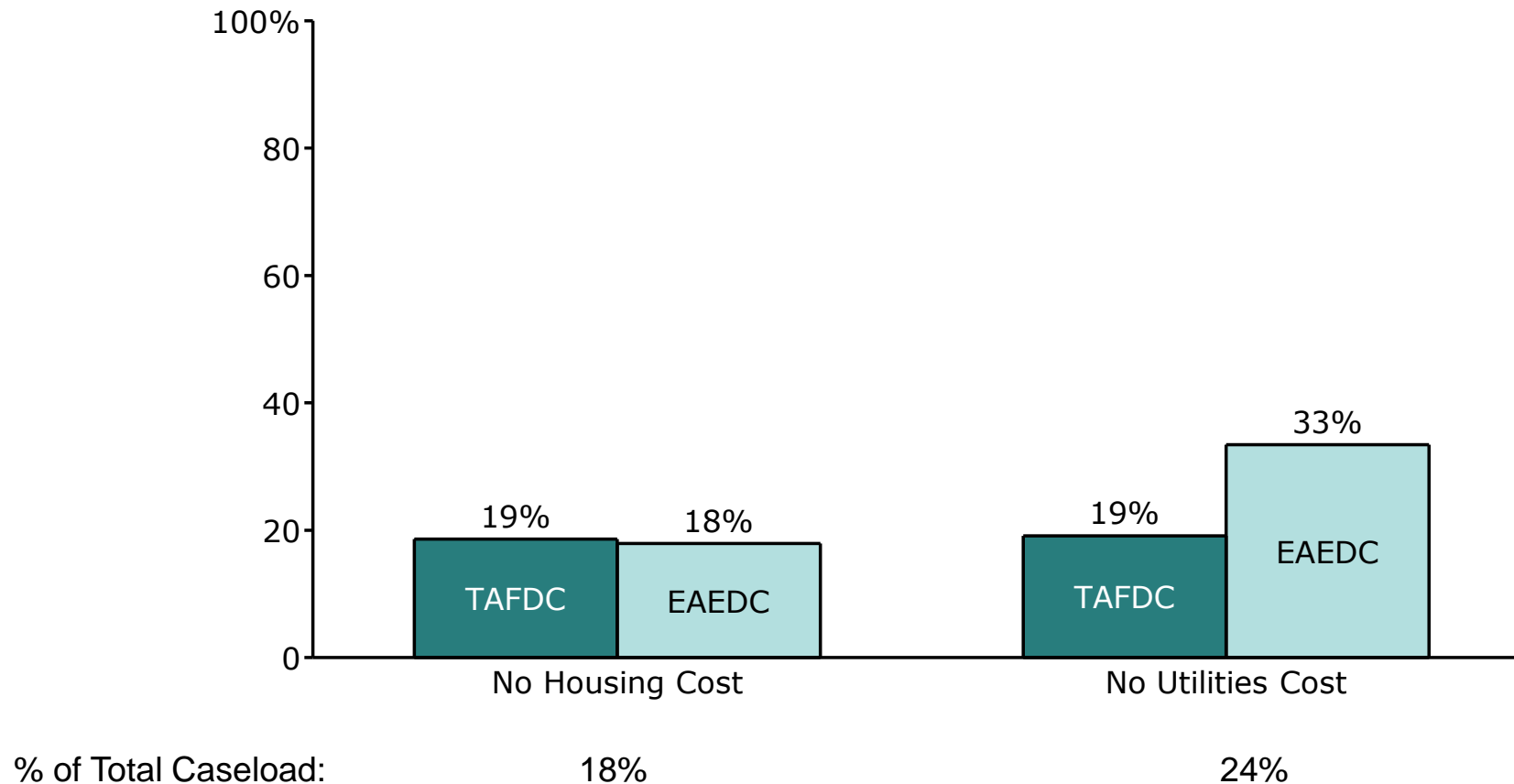
Source: DTA data from BEACON (Sep 2012)

What does it take to live independently?

For a Family of Three

60% of MA client households live in unsubsidized housing

$33,100

| Other** $4,620 |
| Child Care* $15,880 |

Applies to <20% of households

$18,300

$61,600

SNAP $4,870

Basic Grant + Rent/ Clothing $7,720

Basic cash benefit plus SNAP $12,580

TAFDC Benefit (FY11)

Federal Poverty Level (2009)

Massachusetts Economic Independence Index (2010)
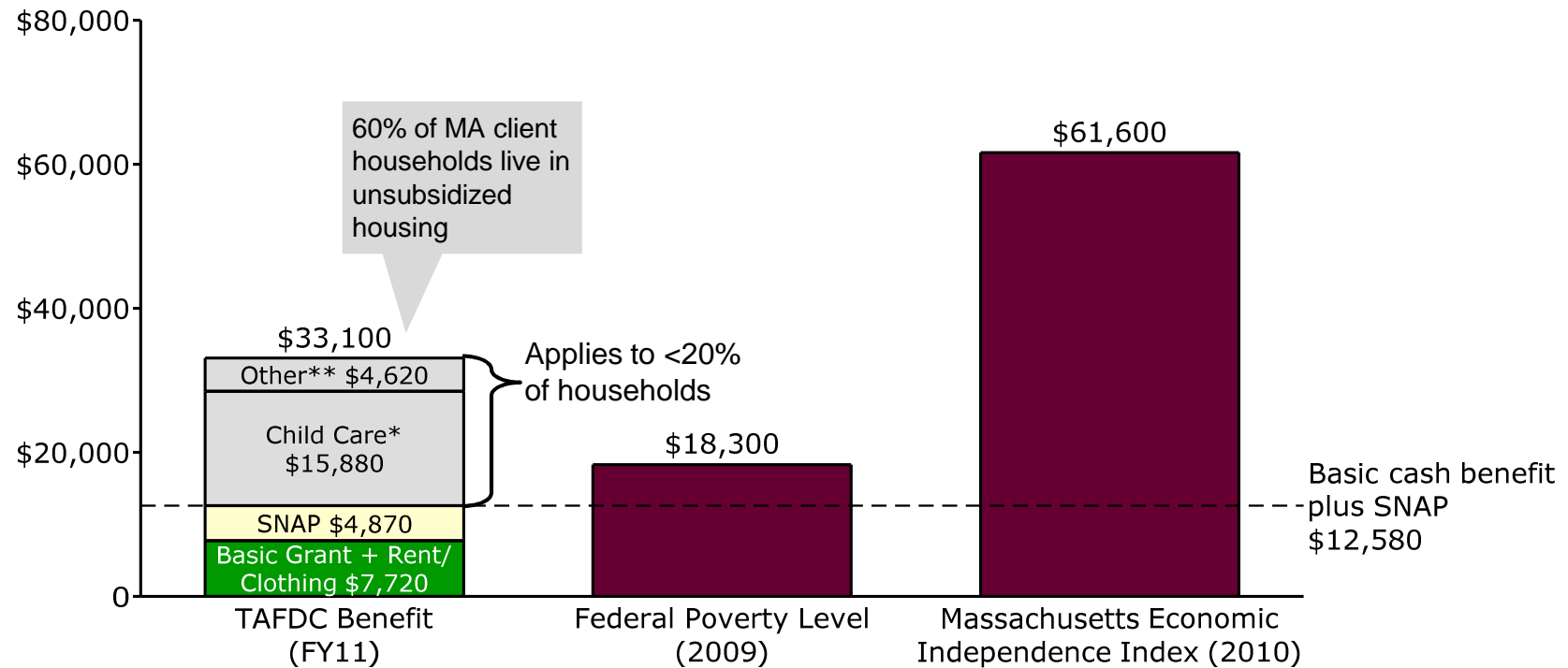
* Statewide, only 5% of TAFDC recipients (16% of non-exempt households, which comprise 31% of the total caseload) receive child care benefits
** Includes earned income disregard, child support disregard, and fuel assistance; benefits shaded gray are received by 5-20% of eligible households
Sources: Report on Standard Budgets of Assistance for the TAFDC Program (FY 2012); CWU Massachusetts Economic Independence index (2010)

Half of clients surveyed have bank accounts, but many do not use them actively

Q: Do you have a bank account? Do you use it actively?

46

23

100%

80

60

40

20

0

No
50%

Yes
50%

No
35%

Sometimes 8%

Yes
57%

Have bank account?

Use it actively?
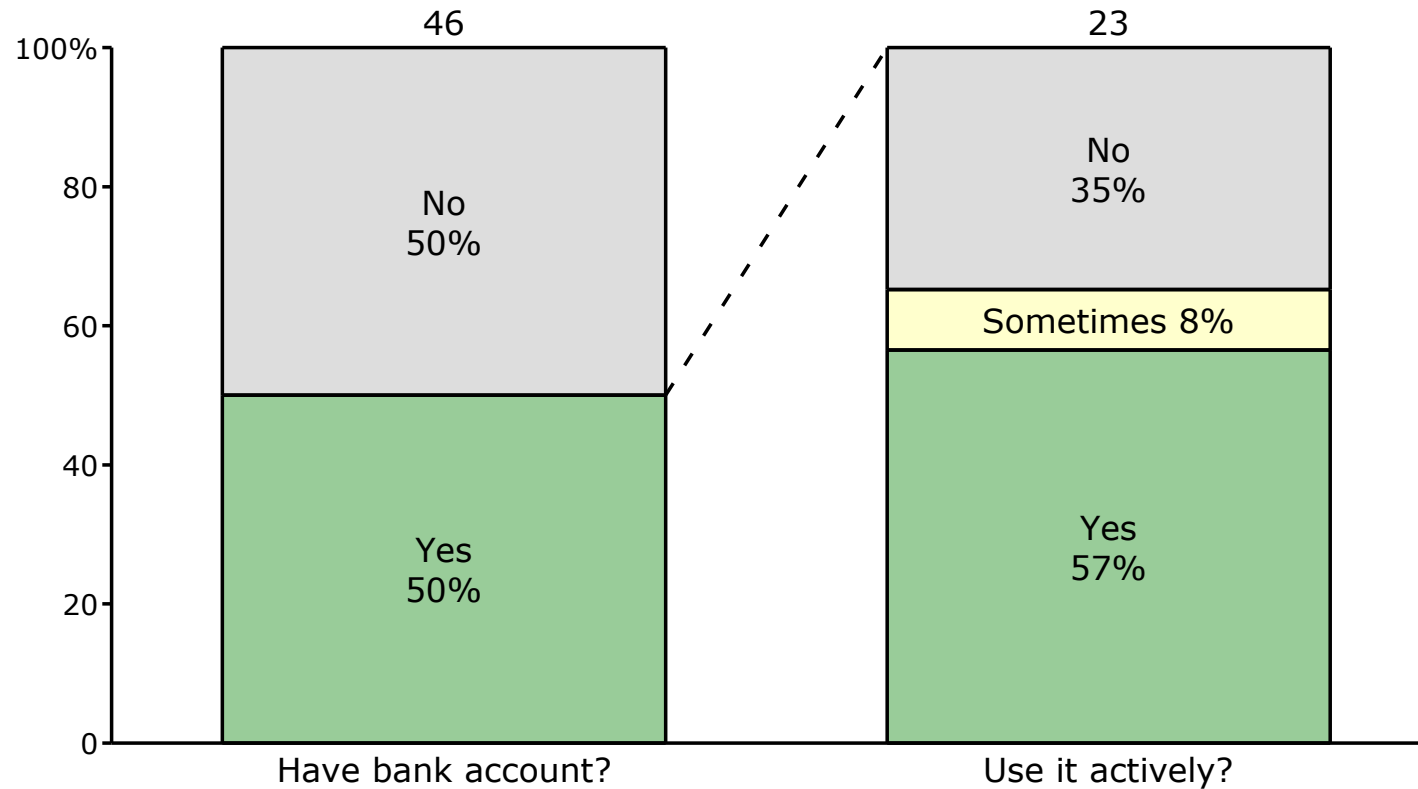
N = 46
Source: Ripples client interviews (Nov 2012)

High perception of cash assistance misuse by others…

Q: Do you think other cash assistance recipients misuse the funds?

46

"Some people go to the liquor store and drink"

"People who smoke"

"You are getting the cash to survive, [but] some use it for unnecessary, bad stuff"
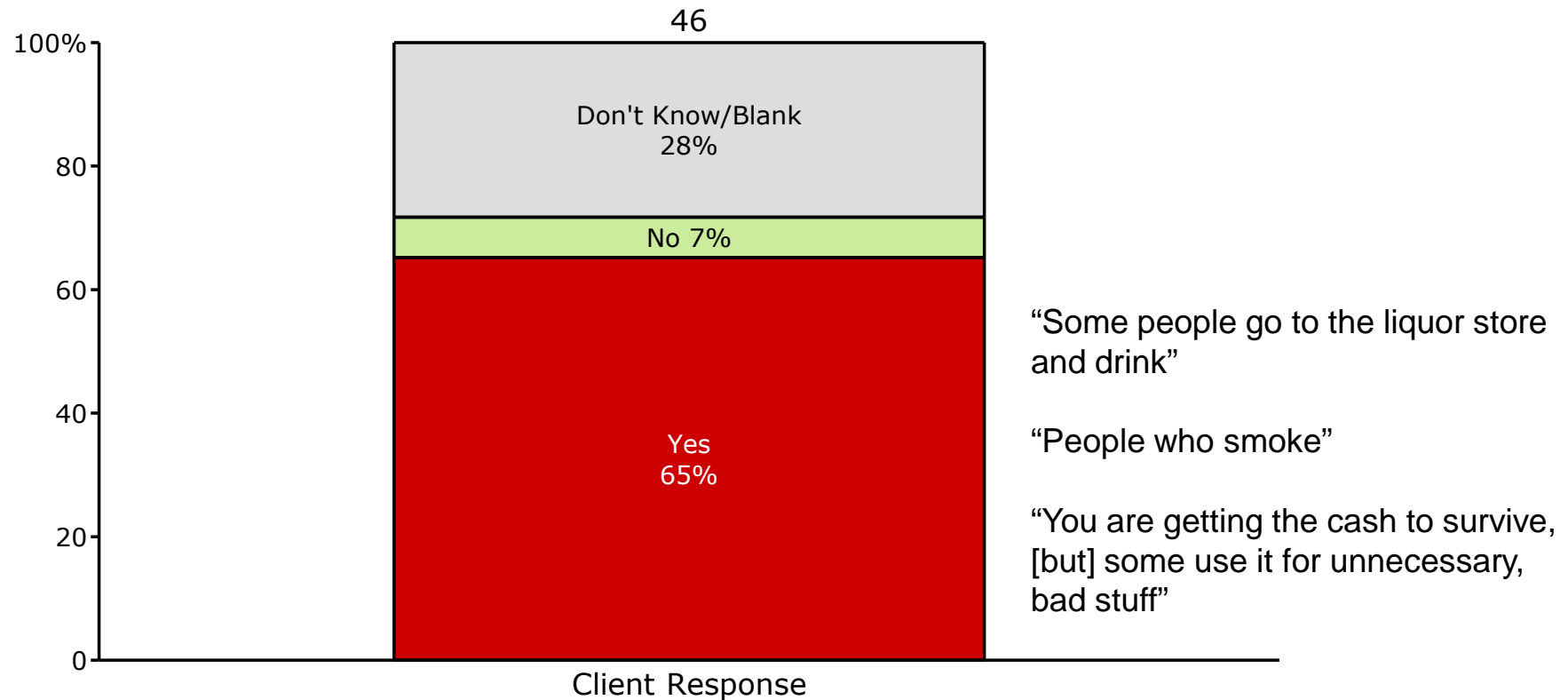
N = 46
Source: Ripples client interviews (Nov 2012)

…but is that due to the "availability heuristic?"

- Individuals have a tendency to judge the frequency of an event by how easy it is to recall similar circumstances

    - "If you can think of it, it must be important"

- Because of the availability heuristic, one anecdote can be used to support a broad generalization or bias

    - "I once had a neighbor buy liquor with cash assistance, so misuse must be widespread"

Perception of cash assistance misuse among clients likely overestimates the extent of the problem

Source: Tversky & Kahneman (1973)

Clients self-report low use at banned locations
Liquor store ATMs are the only significant exception

Q: Have you ever used your EBT card at the following locations? ATM machine?

Clients reporting ATM use at liquor stores cite location & low fees as factors in their ATM choice:

- "There's an ATM in every liquor store"
- "Walgreens charges $4, but the liquor store charges $2.50"

- **2 Dudley Square**
- **1 Malden**
- **1 Southbridge**

Legend: POS, ATM

Chart values:
- Grocery Store: POS 37, ATM 9
- Clothing Store: POS 14, ATM 4
- Liquor Store: ATM 4
- Jewelry Store: POS 1
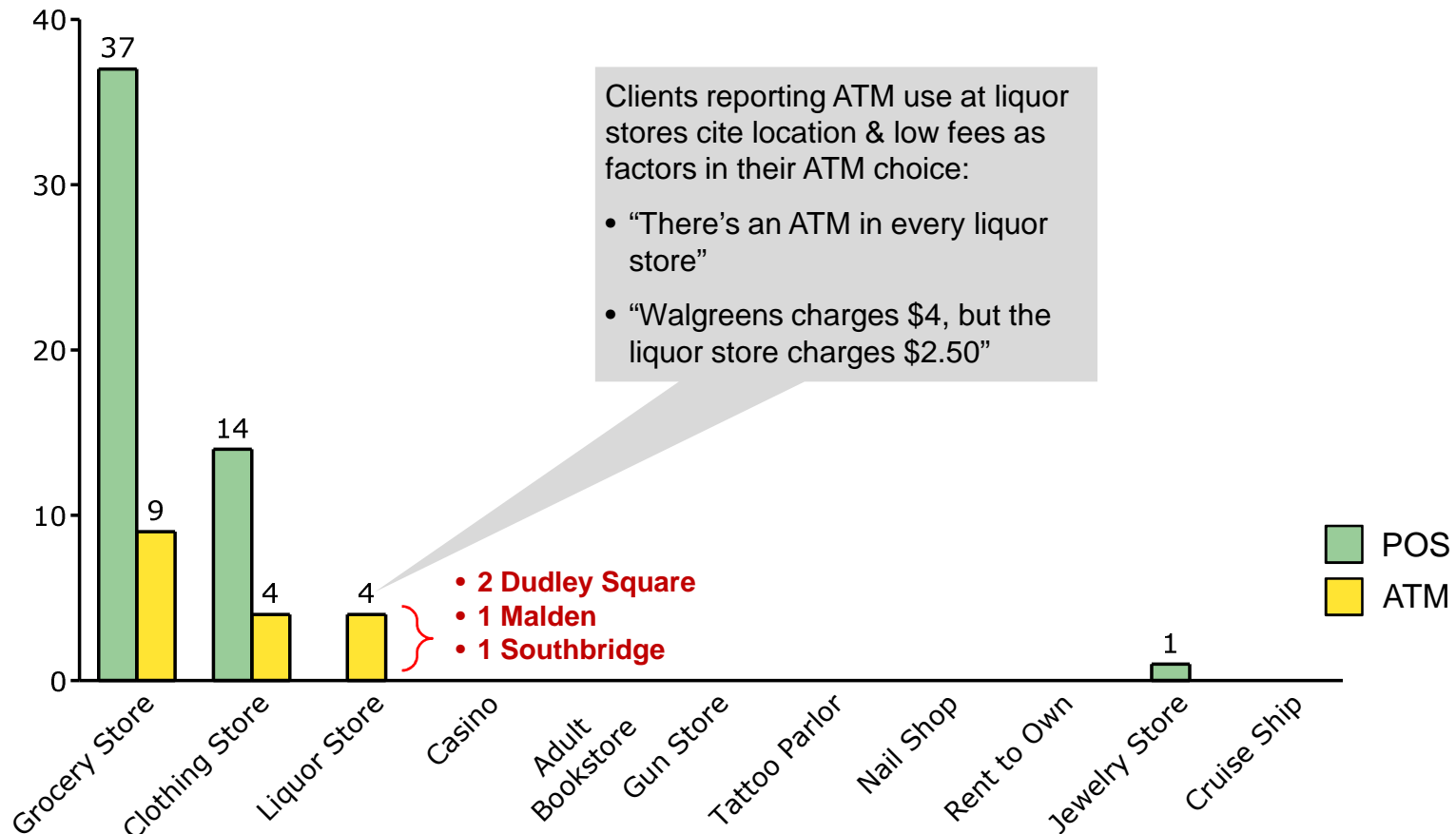
N = 46
Source: Ripples client interviews (Nov 2012)

Low volume of at-risk clients

| % of Total Caseload: | 0.2% | 0.4% | 0.6% | 2.5% |
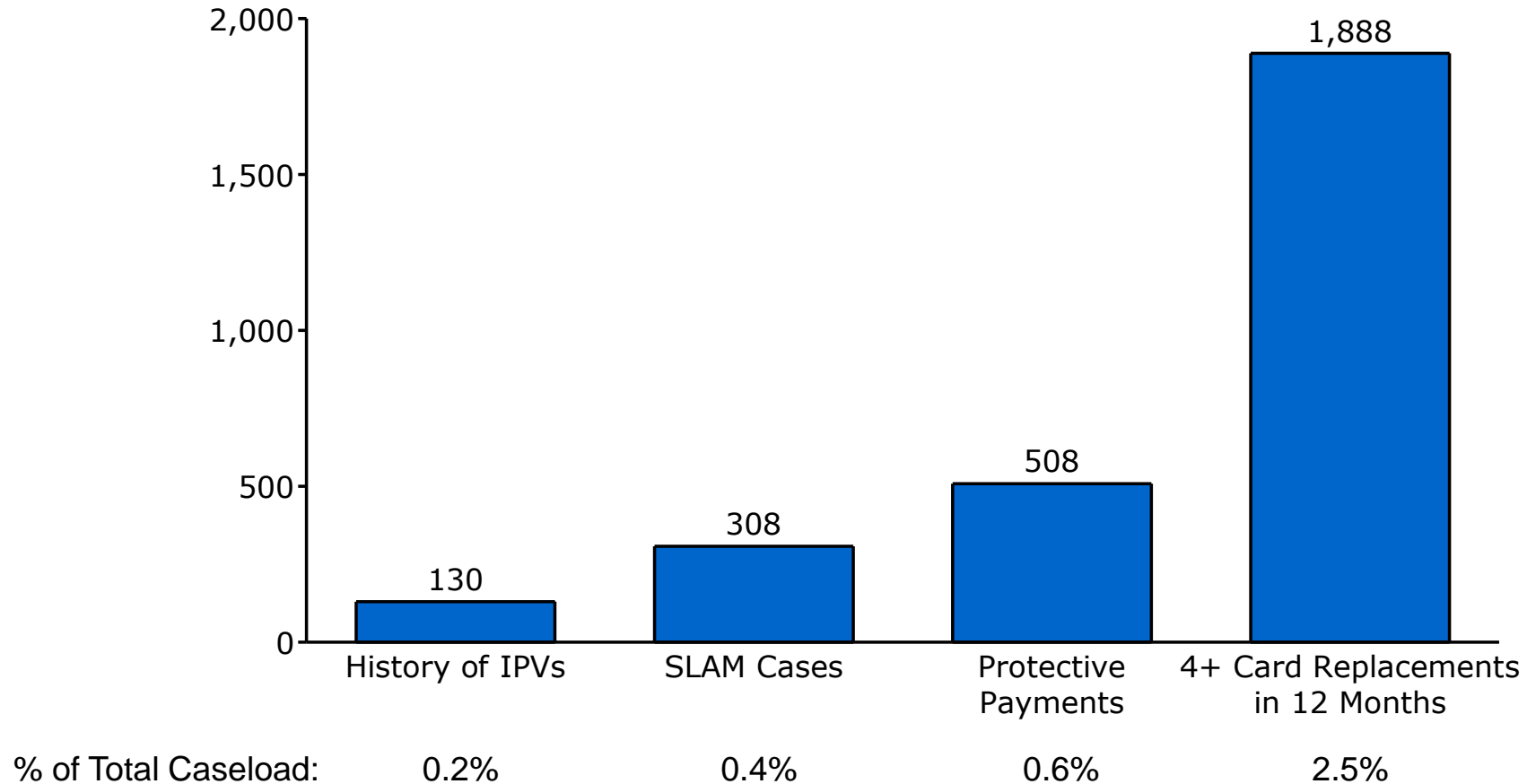
Source: DTA data from BEACON & SSPS (Dec 2012)

0.4% of EBT ATM transactions in MA in restricted businesses

Number of Transactions

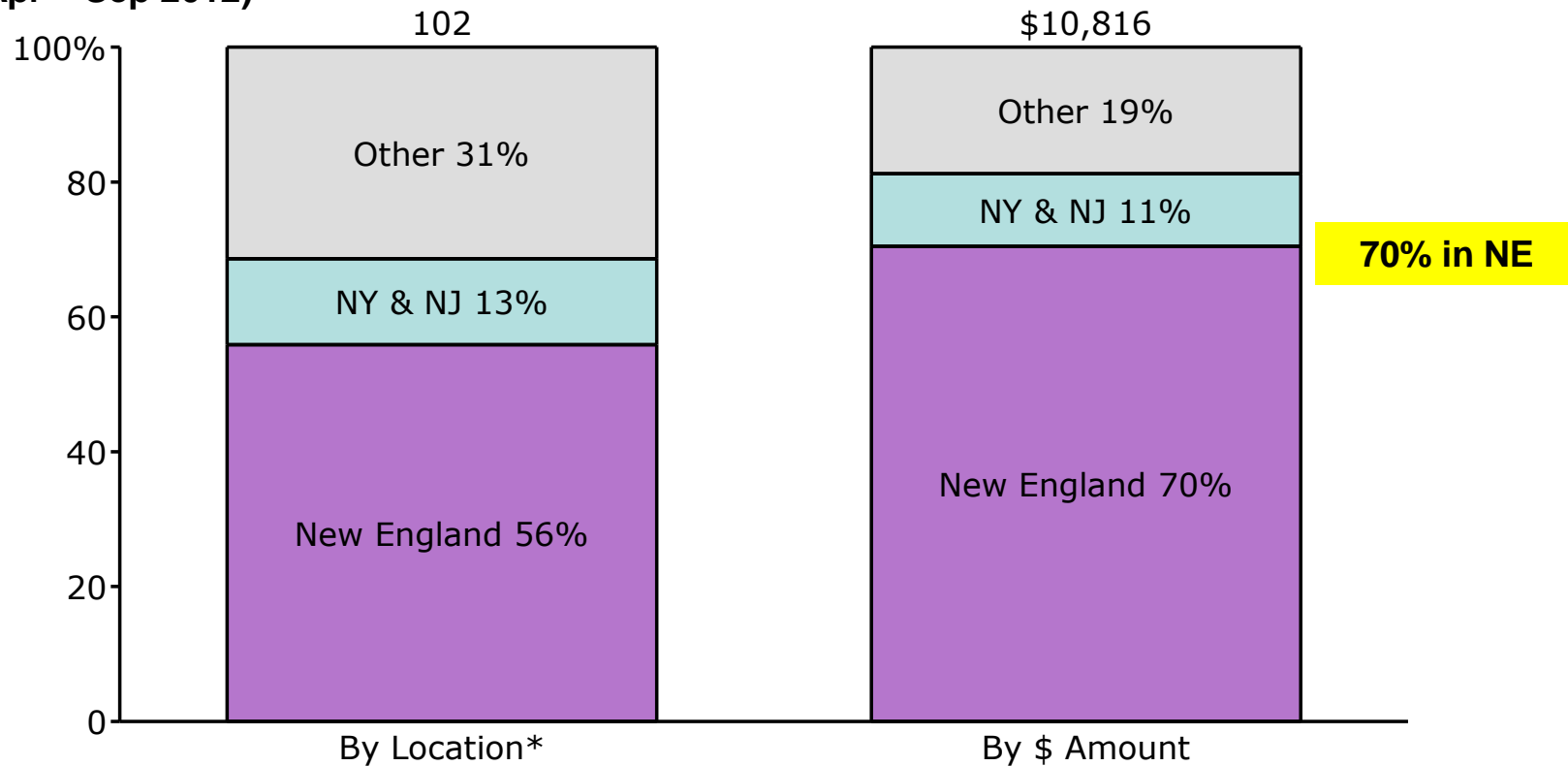800 — 662 | 35 | 25 | 18 | 5 | 3 | 2 | 2 | 1 | 1 | 1 | 755

$55K of $24M spent in illegal locations

=

0.2% funds misuse rate

Total transactions:

185,984

Liquor — Spa — Cigar — Bar — Tobacco — Nails — Jewelry — Resort — Tattoo — Salon — Cruise — Total
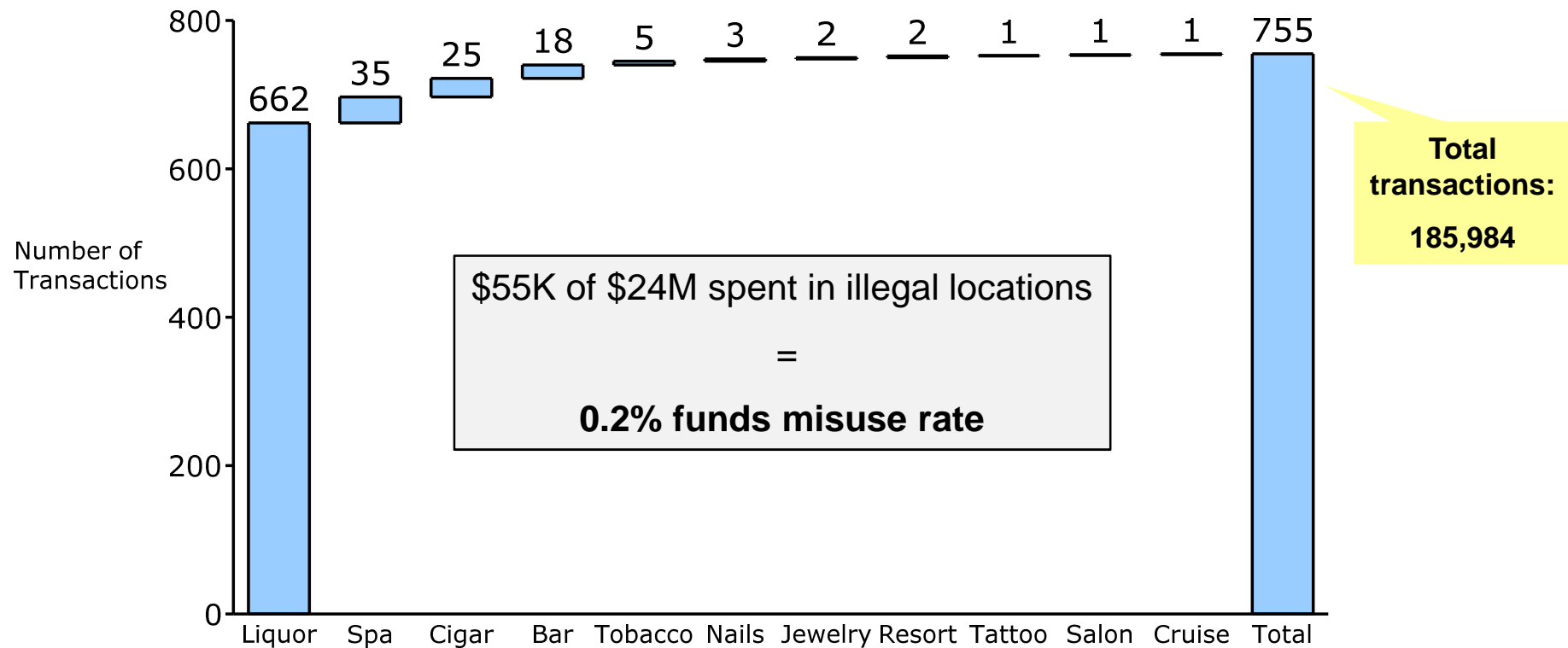
Source: DTA EBT ATM transaction extract (Jul 2012)

Less than 2% of MA EBT ATM transactions occur outside of New England

185,984

Other States 1.0%
NY & NJ 0.4%
New England 1.9%

100%

80

60

MA 96.7%

98% of EBT cash transacted in-state in FY12

40

20

0

MA EBT ATM Transactions (July 2012)
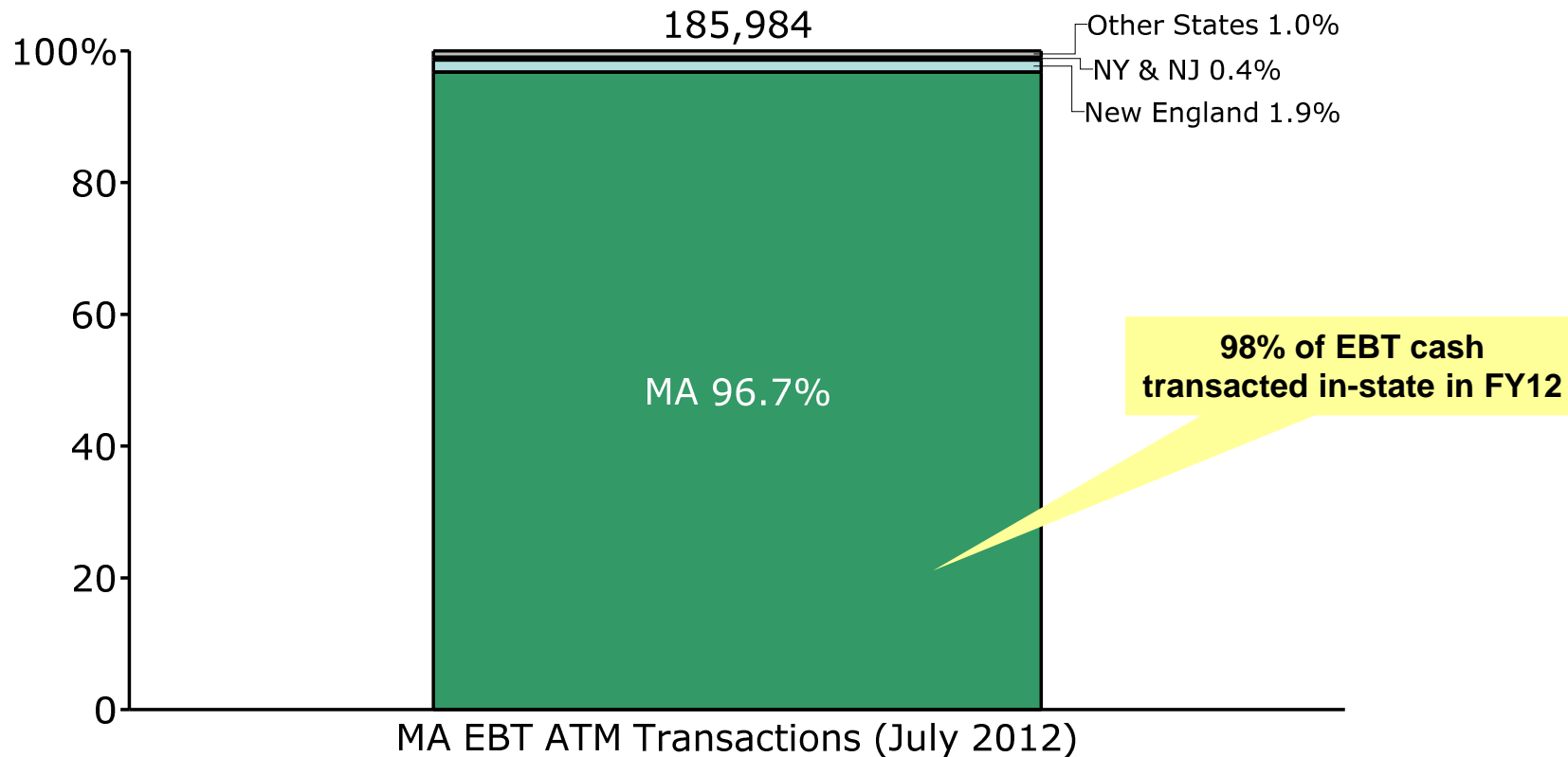
Sources: DTA EBT ATM transaction extract (Jul 2012); DTA EBT Redemptions by Fiscal Year (FY 2012)

Only 0.3% of out-of-state transactions in restricted locations

**Out-of-state Transactions
(Apr – Sep 2012)**

102

100%

Other 31%

80

NY & NJ 13%

60

New England 56%

40

20

0

By Location*

$10,816

Other 19%

NY & NJ 11%

70% in NE

New England 70%

By $ Amount

% of Out-of-state Total: **0.3%**   **0.2%**

* Locations matching keywords: liquor, tobacco, bar, cigar, spa, nails, jewelry, resort, tattoo & salon
Source: DTA EBT out-of-state ATM & POS transaction extract (Apr – Sep 2012)

Other states report very low rates of misuse
But also suffer from lack of tracking data

	California	Colorado	Minnesota	Texas
State definition of cash assistance misuse	• Accessing cash assistance benefits at ATMs located in 14 types of businesses (liquor stores, casinos, etc.)	• Accessing cash assistance benefits at ATMs located in 6 types of businesses (liquor stores, casinos, etc.)	• Using EBT cards at POS or ATMs in liquor, tobacco, gambling, or tattoo establishments	• Using cash assistance benefits on goods and services not necessary & essential to the welfare of the family
Reported extent of misuse	• Less than 0.5% of all EBT ATM transactions indicated misuse based on extensive ATM monitoring	• Less than 0.3% of EBT ATM transactions were at casinos (according to 2-year study) • Similar misuse rates estimated for other banned businesses	• "Less than a handful of reported incidents" from retailers in a forum to discuss misuse • "There's no way of knowing that" quantitatively	• "I have no sense that we have widespread misuse of benefits" • No quantitative estimates

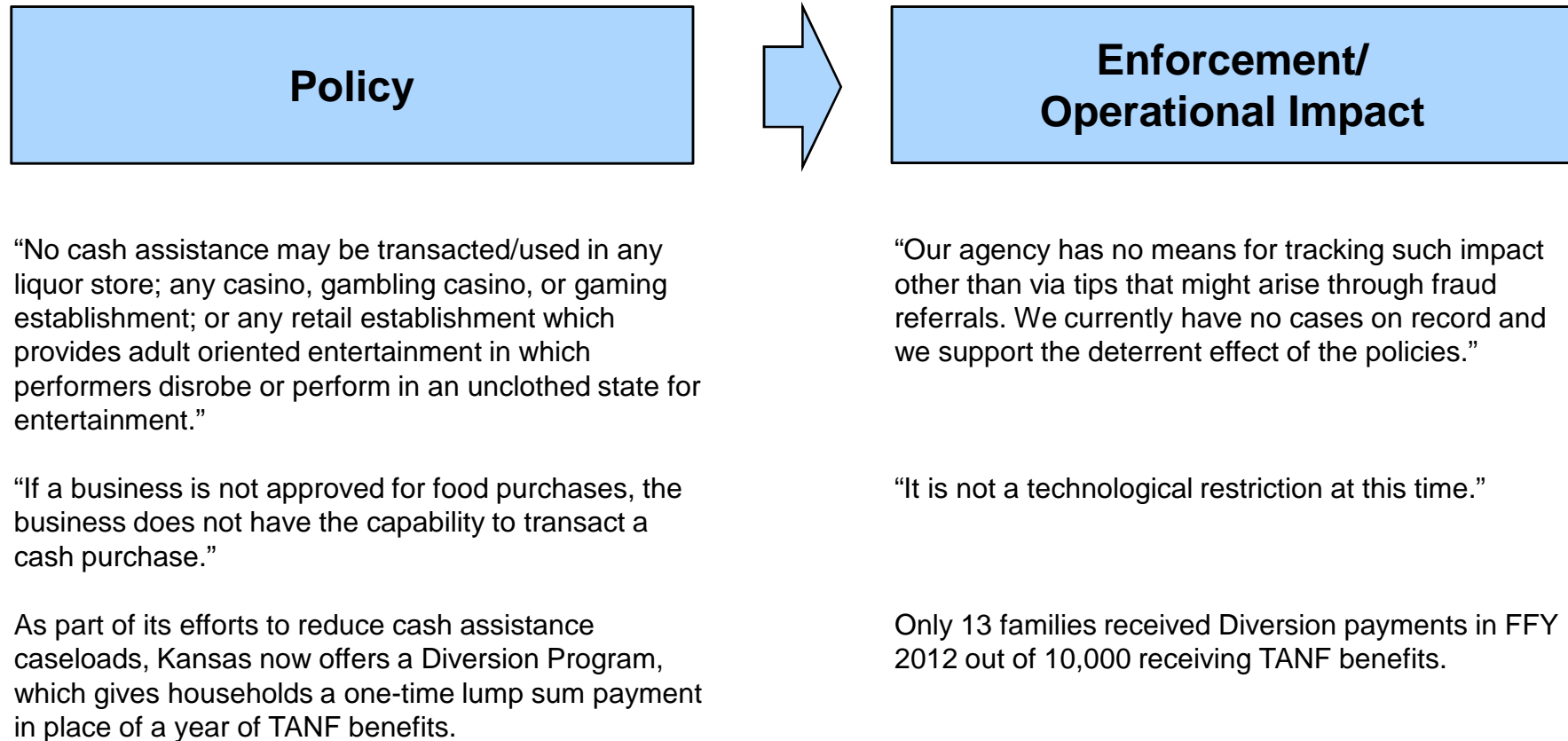Source: Ripples interviews with CA, CO, MN & TX (Nov 2012)

Eligibility requirements & benefits across states
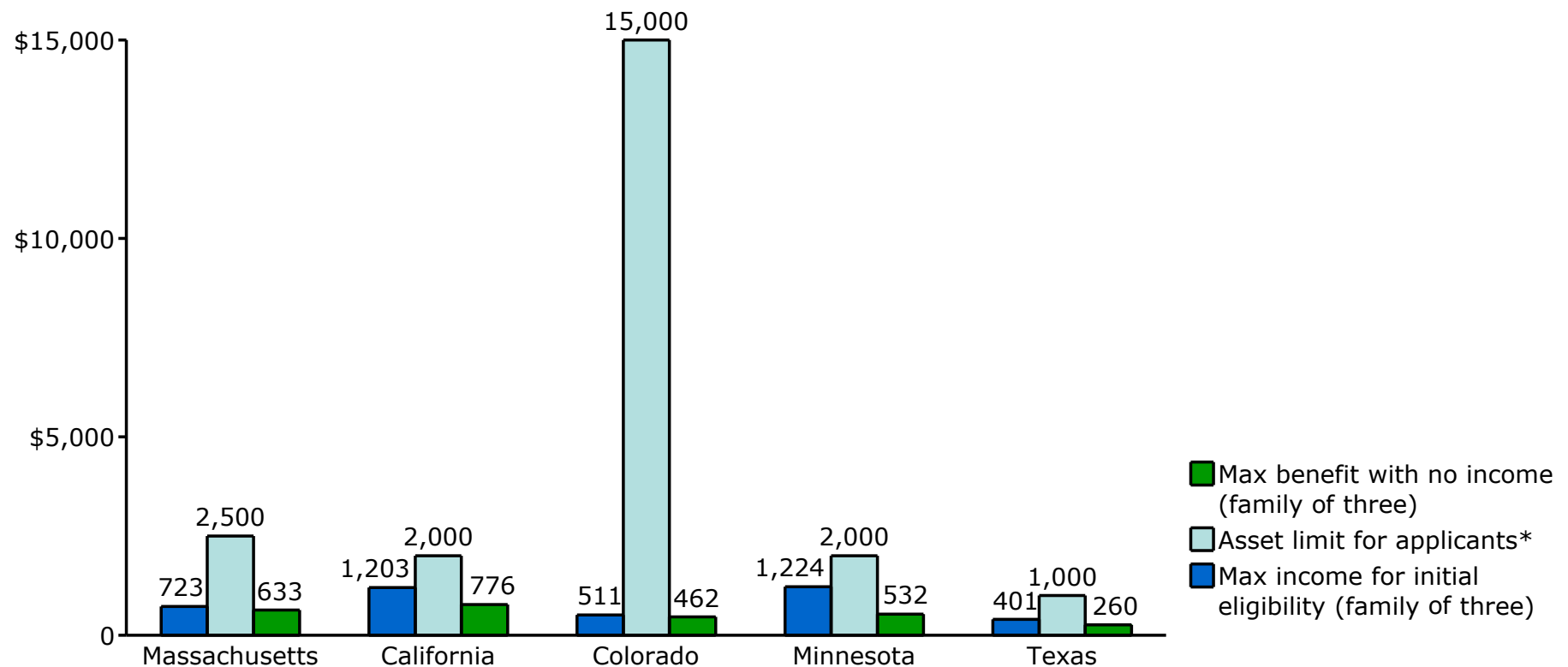
* Vehicle exemption excluded; asset limit in California raised to $3,000 for units including an elderly person
Source: Urban Institute Welfare Rules Databook (Jul 2010)

Kansas example: policy without enforcement

Policy	→	Enforcement/ Operational Impact

"No cash assistance may be transacted/used in any liquor store; any casino, gambling casino, or gaming establishment; or any retail establishment which provides adult oriented entertainment in which performers disrobe or perform in an unclothed state for entertainment."

"If a business is not approved for food purchases, the business does not have the capability to transact a cash purchase."

As part of its efforts to reduce cash assistance caseloads, Kansas now offers a Diversion Program, which gives households a one-time lump sum payment in place of a year of TANF benefits.

"Our agency has no means for tracking such impact other than via tips that might arise through fraud referrals. We currently have no cases on record and we support the deterrent effect of the policies."

"It is not a technological restriction at this time."

Only 13 families received Diversion payments in FFY 2012 out of 10,000 receiving TANF benefits.

Source: Ripples correspondence with Kansas Department for Children and Families (Dec 2012)

Cashless & UPC options burden small vendors
But vendor registration seen as helpful

- **Cashier enforcement of restriction on POS cash back would be challenging**

  "Nearly impossible to implement this in smaller retailers"
  "Difficult enough to even educate the smaller merchant on existing law"
  "The employee population is always in flux"
  "Limited amount of training resources"
  "Creates a confrontation" between the cashier and the customer

- **UPC-level restrictions & related systems changes would drive small retailers away**

  "They just won't do it"
  UPC-level blocking is a *"barrier and obstacle"* to having small retailers take EBT

- **However, requiring EBT vendors to register with the state could prove beneficial**

  "Would not have big opposition among merchants"
  "DTA would have the opportunity to notify [vendors] of changes"
  "My members are looking for guidance and assistance from the state"
  "Registration serves as a check on fraudulent activity"

Source: Ripples interview with Retailers Association of Massachusetts (Dec 2012)

40% of clients would use cashless system if all purchases could be made with EBT

Q: If you could not take out cash but your EBT card benefits were increased by $X dollars, would you prefer this over the current system?

15

<u>Client Comments</u>

No extra money needed if EBT worked for everything

40%

"If it does the job"
"If more stores accepted it, it wouldn't be a problem"
"Just as long as I could use the card for [all] purchases"

Specific dollar value

27%

Average = $100

Cashless wouldn't work

33%

"I wouldn't get how to do it"
"I wouldn't be able to go anywhere"

Client Response

100%
80
60
40
20
0
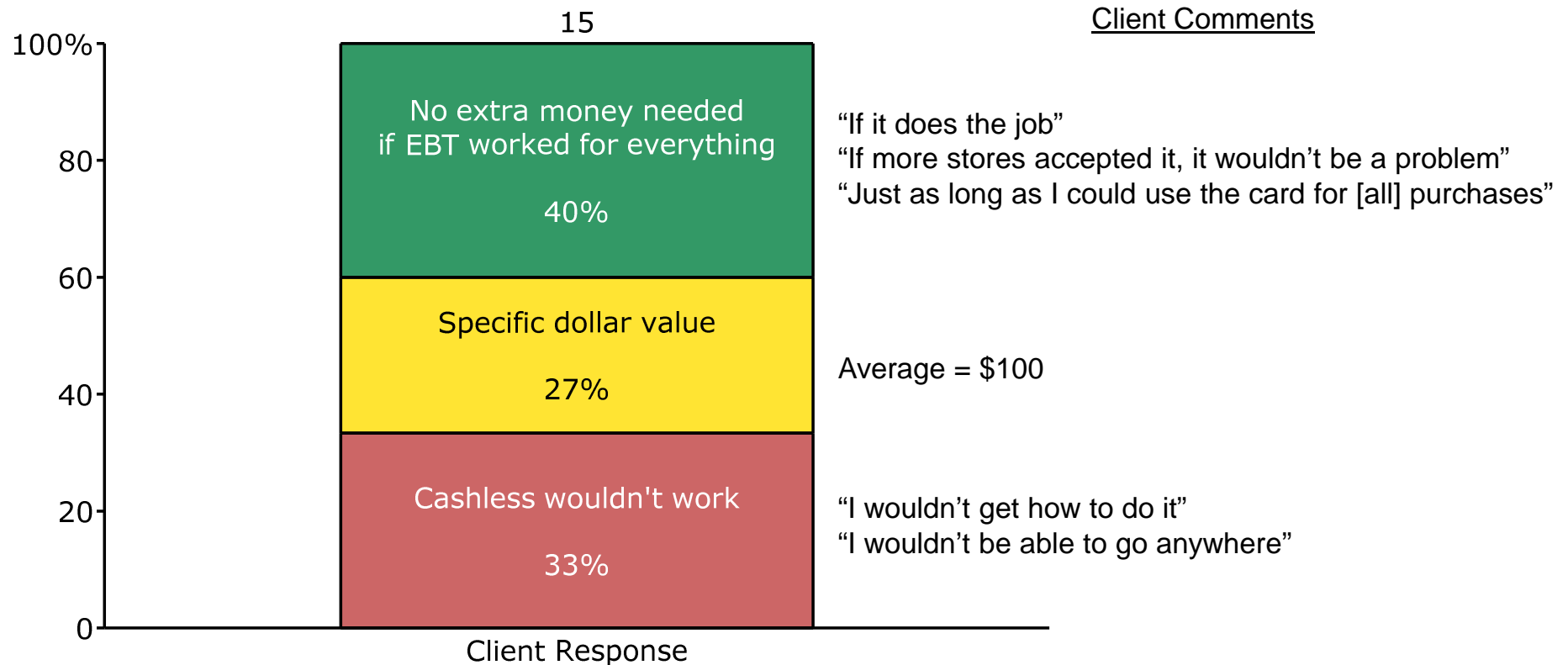
N = 15; question asked at Malden TAO only
Source: Ripples client interviews (Nov 2012)

4.5% serious mental illness prevalence in US

Prevalence of Serious Mental Illness Among U.S. Adults by Sex, Age, and Race in 2008

4.5% overall prevalence

*AI/AN = American Indian/Alaska Native

Data courtesy of SAMHSA
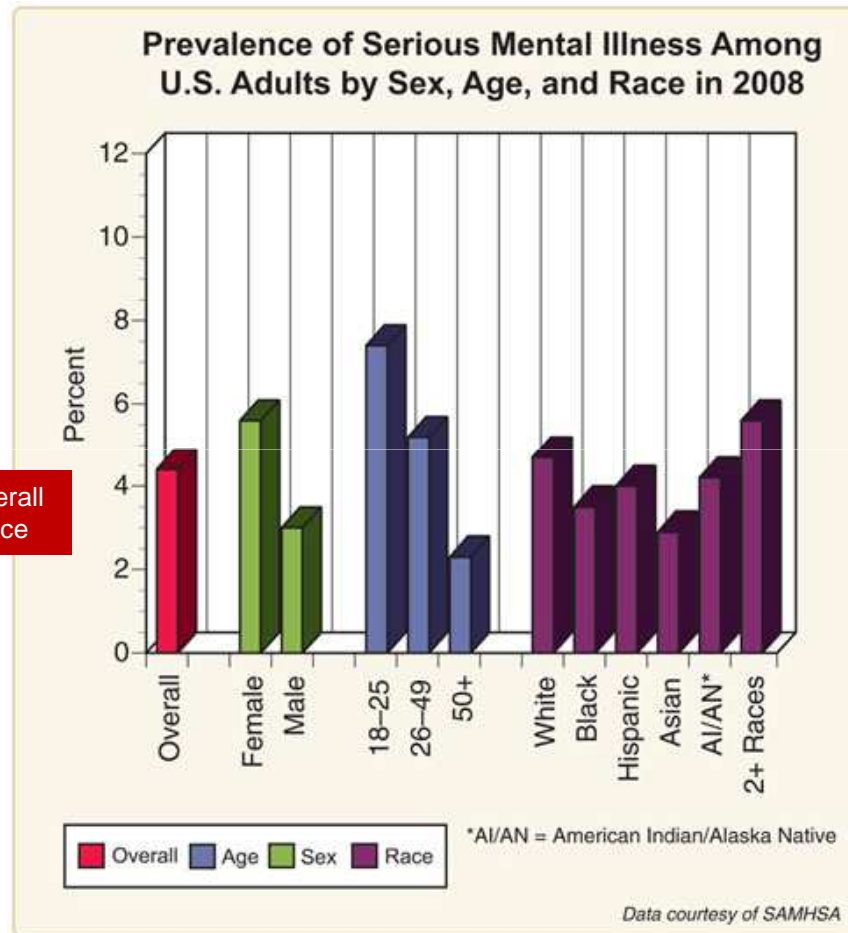
The data presented are from the National Survey on Drug Use and Health (NSDUH), which defines SMI as:

- A mental, behavioral, or emotional disorder (excluding developmental and substance use disorders)
- Diagnosable currently or within the past year
- Of sufficient duration to meet diagnostic criteria specified within the 4th edition of the *Diagnostic and Statistical Manual of Mental Disorders* (DSM-IV)
- Resulting in serious functional impairment, which substantially interferes with or limits one or more major life activities

\+ 2.1% prevalence of antisocial disability disorder

If national averages were applied:
4.5% of 77K = 3,500
6.6% = 5,100

Source: National Institute of Mental Health (2012)

Is screening for high-risk legal?

- **Yes**, per DTA general council within boundaries

Agenda

- **New Information**

- **Recap & Recommendations**

- **Preliminary Vote on Options**

- **Draft Report**

- **Next Steps**

Flow of funds: 90-95% in cash

DTA Benefit Issuance

2 accounts per client
1) SNAP (490K households)
2) Cash benefit: TAFDC or EAEDC (77K households)

10%* **($40M)** → Check/Direct Deposit

90%* **($370M)** → Xerox Host (EBT)

3rd Party Processor (TPP)

15%* **($55M)**

85%* **($315M)**

Integrated Retailer (Chain)

"Cash-only" Retailer

ATM

Client
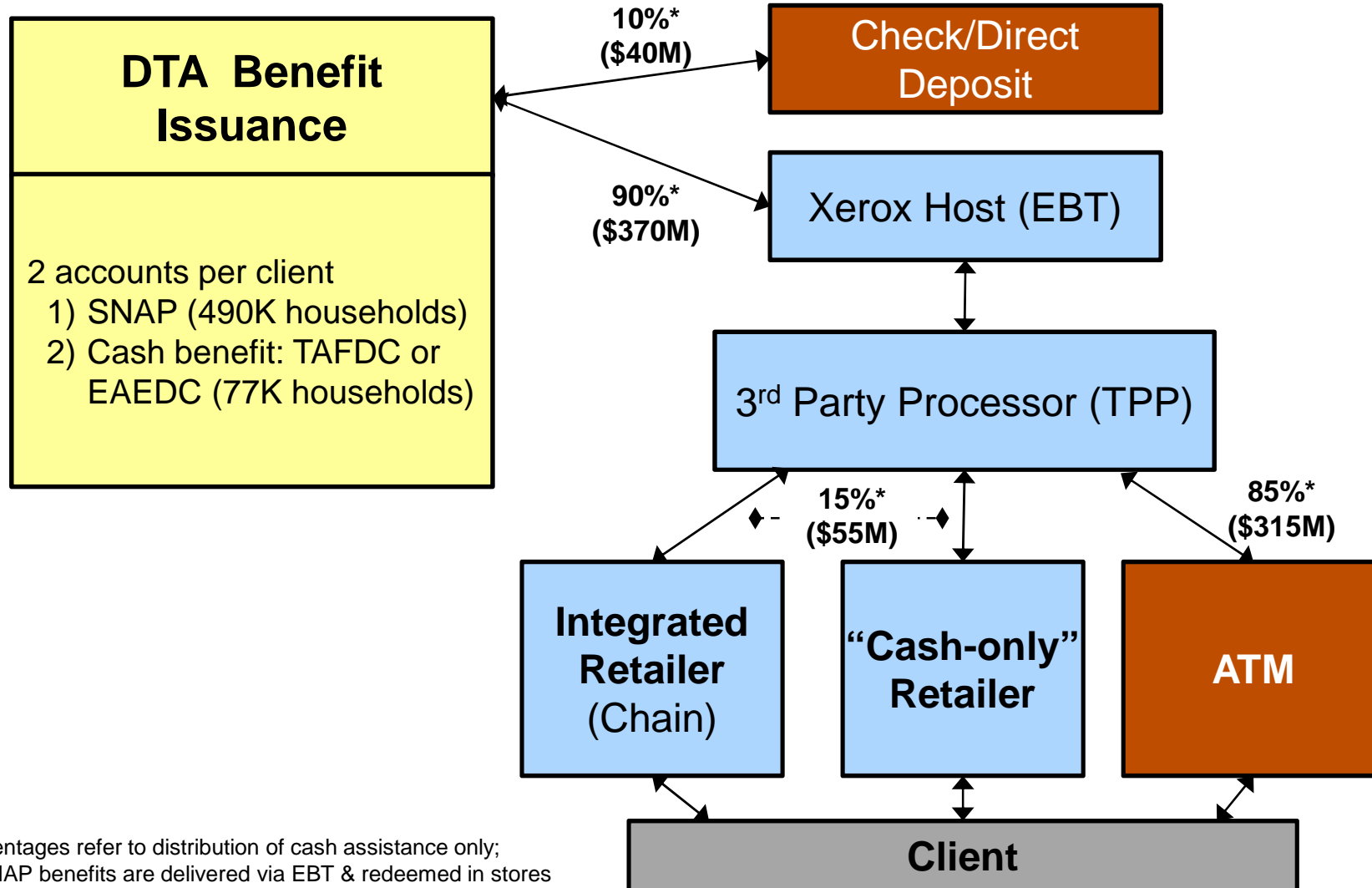
* Percentages refer to distribution of cash assistance only;
   all SNAP benefits are delivered via EBT & redeemed in stores

Sources: EBT Commission Report (Apr 2012);
Ripples interviews with DTA State Office staff;
DTA Facts and Figures (Oct 2012)

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What is the extent of misuse?
Can this be answered?

Bulk of taxpayer funds are wasted

There is no way of knowing for sure.
The evidence is inconclusive
but directionally informative.

?

- Population observations
  - 25-30% smoking in relevant population
  - 4.5% SMI prevalence + 2.1% ASD
  - Limited, if any, discretionary funds
- Client survey results
  - No evidence of misuse
  - "Barely surviving"
  - But perception of misuse by others
- Availability of funds
  - Cash assistance below poverty level
  - 30% behind on rent/utilities
- DTA data
  - 0.4% of transactions in restricted locations
- Other states' experiences
  - Low misuse reported
  - Poor data

There is no problem

1% reduction = $4M

Likely to have 4 segments of problems
Excluding eligibility issues

Addictive Habits	Irrational, Destructive Behaviors	Disregard for The Law	Careless, Undisciplined Behaviors
▪ Alcohol abuse and especially smoking are significant issues in this population ▪ Clients may have no other means of funding their addictions	▪ Cash assistance funds are consistently diverted from their intended uses (e.g. child care) ▪ Root causes can vary from minor psychological issues to critical mental health problems to substance abuse issues ▪ The issue can be lasting or short-lived	▪ Individuals who do not feel bound by societal laws and regulations may engage in illegal behaviors (antisocial disability disorder) ▪ This problem is likely to lead to occasional misuse	▪ Clients misuse benefits unnecessarily even though other sources are available

▪ **Will find loopholes if there are any**	▪ **Unlikely to listen to reason; unclear impact**	▪ **Will find loopholes if there are any**	▪ **Nudging will likely reduce misuse**

This is a hypothesis based on available information. It has not been proven or disproven.

Integrated Options
Collectively exhaustive; not all mutually exclusive

Less Restrictive ← → **More Restrictive**

Do Nothing ①
Await federal guidance

Increased Education & Enforcement ②
Training
Secret Shopper
Higher penalties
(Licensing agencies)

No Cash to High-risk Clients ③
Identified by data patterns
Bill payments by DTA

No Out-of-state ATMs or POS ④

Block Select ATMs ⑤
e.g. at liquor stores

Block Select ATMs and POS ⑥
e.g. at liquor stores

Only $100 in Cash/Mo ⑦
No other cash available at ATMs/POS
EBT+ online bill payments
No direct deposit
No money orders
[Photo IDs]

Cashless ⑧
EBT+ online bill payments
No cash at ATMs
No cash back at POS
No direct deposit
No money orders
[Photo IDs]

Cashless + UPC-level Control ⑨

Summary of Options (Illustrative)

Impact on Misuse

More Effective

Ideal Solution

9: UPC + Cashless ($25M, 2+ yrs, $6M+)

6: Block Select ATMs/POS ($400K, 3-6 mo, $300K)

8: Cashless ($2-3M, 2 yrs, $4.5M)

3: High-risk Clients ($200K, 3 mo, $350K)

7: $100 Cash/Month ($2.5-4M, 2 yrs, $6M)

2: Education & Enforcement ($50K, 6 mo, $300K)

1: Do Nothing

4: Block Out-of-state ($200K, 9 mo, $100K)

5: Block Select ATMs ($200K, 3 mo, $200K)

Cost (Impl + 5 Yrs Ops)

More Negative
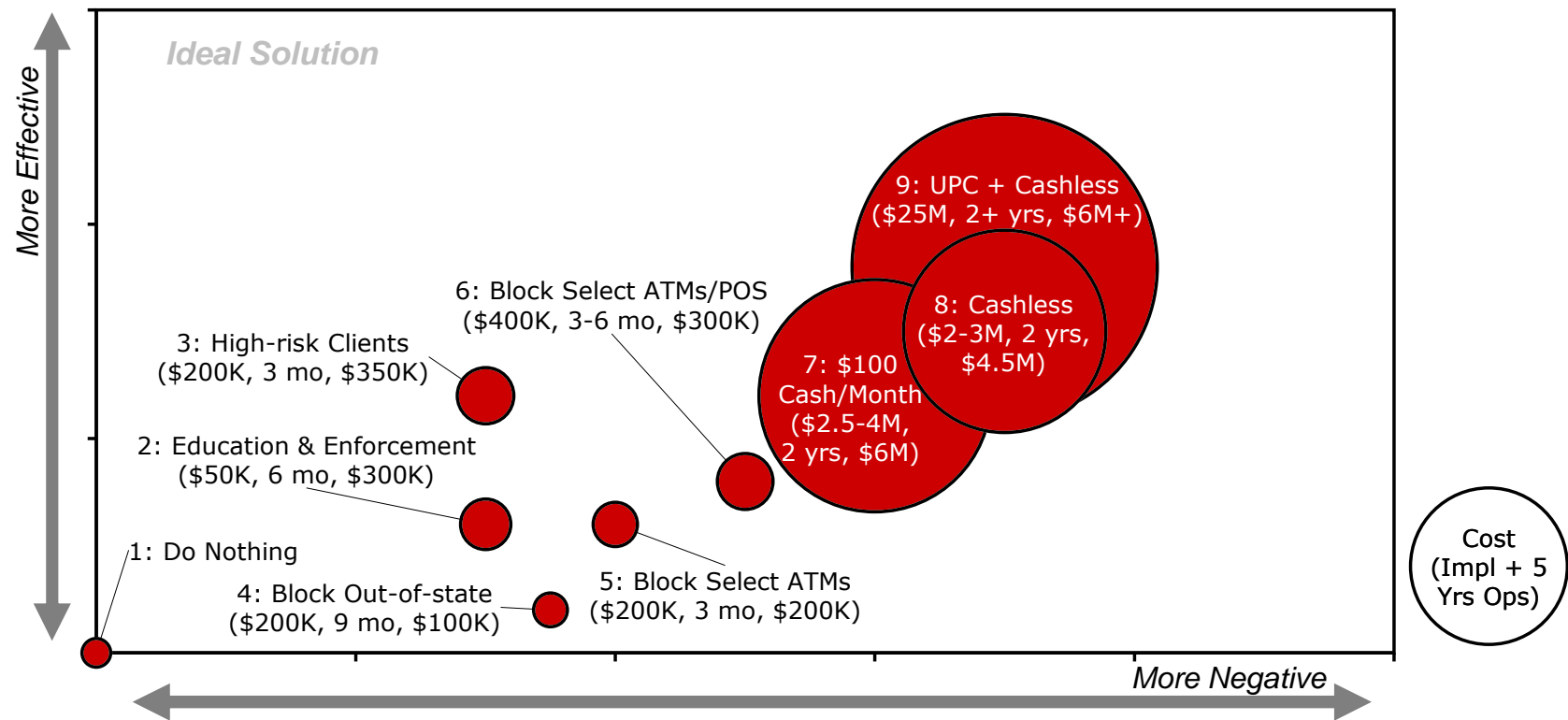
Impact on Clients

Supporting information key: ($ implementation cost, implementation time frame, $ yearly operational cost)

Summary of Ripples Recommendations
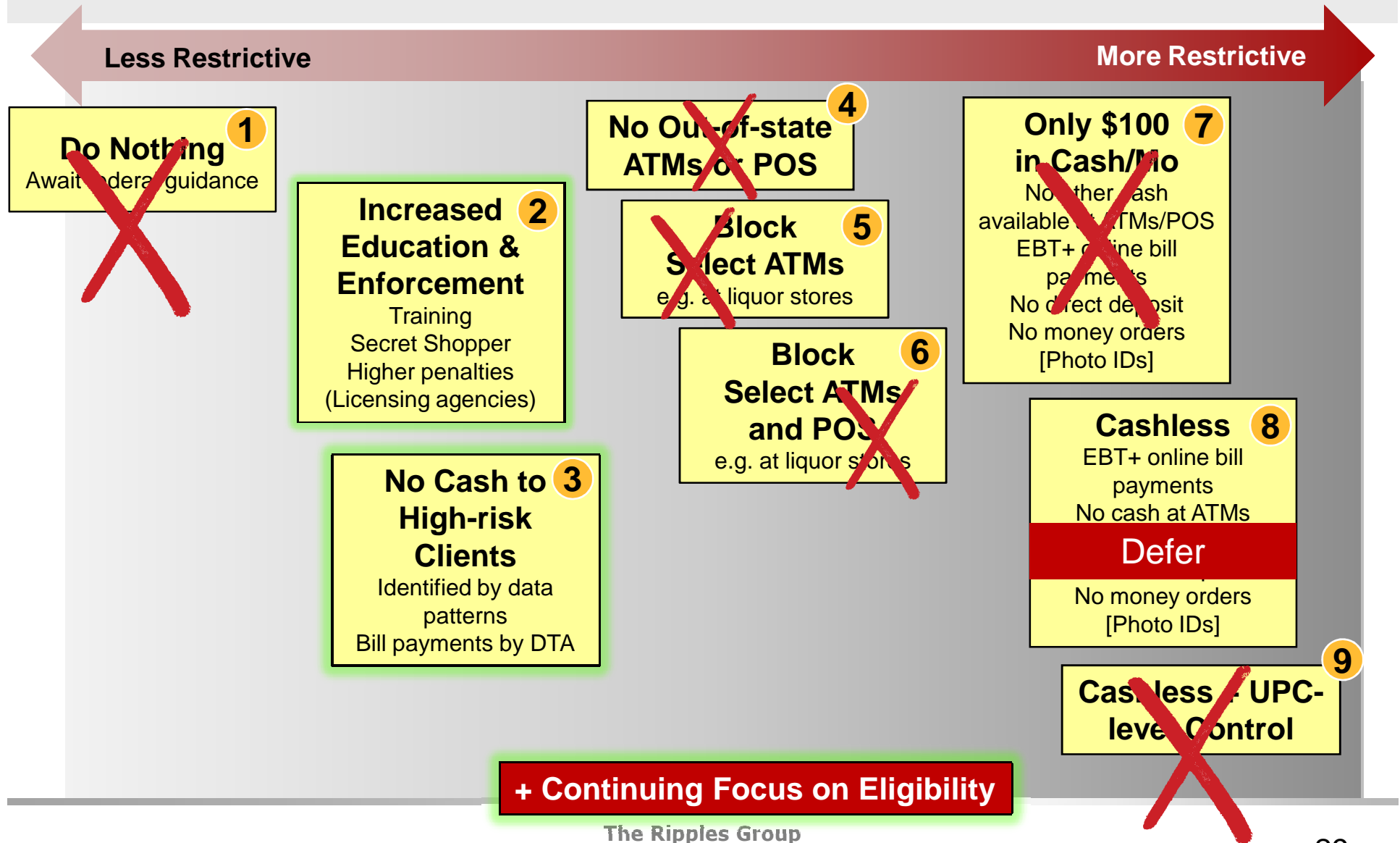
Less Restrictive ← → **More Restrictive**

Do Nothing (1)
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Increased Education & Enforcement (2)
Training
Secret Shopper
Higher penalties
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No Cash to High-risk Clients (3)
Identified by data patterns
Bill payments by DTA

No Out-of-state ATMs or POS (4)

Block Select ATMs (5)
e.g. at liquor stores

Block Select ATMs and POS (6)
e.g. at liquor stores

Only $100 in Cash/Mo (7)
No other cash available at ATMs/POS
EBT+ online bill payments
No direct deposit
No money orders
[Photo IDs]

Cashless (8)
EBT+ online bill payments
No cash at ATMs
Defer
No money orders
[Photo IDs]

Cashless + UPC-level Control (9)

+ Continuing Focus on Eligibility

UPC-level Blocking (+ Cashless)
E.g. restrict alcohol at supermarkets

How?

1. Screen each POS transaction item against a list of approved/ restricted UPC/SKU codes (hundreds of thousands of UPC/SKU codes exist, and new ones get added every day)

2. Tie all vendors to state system (in real time). At every transaction, vendor systems identify each item being purchased and reject restricted items by UPC/SKU code

3. Vendors will either need to integrate changes into existing cash register systems or deploy new POS devices

4. State or its EBT processor will need to keep UPC/SKU databases current

5. Enable direct payments from DTA to vendors (e.g. rent & utilities)

Category	Details
Technical Feasibility	• Technically feasible based on WIC restrictions, but never implemented for cash assistance • Requires state relationship with every cash retailer for UPC/SKU file transmission (none today)
Security/ Control Benefits	• Once operational, difficult to bypass at compliant locations—effective in controlling purchasing • Will increase information on spending behavior • But no impact at POS locations not linked to state
Implementation Cost & Time	• IT implementation (new EPPIC file format): $1M • Retailer enablement & certification: $20M • Initial UPC/SKU collection: $1M • Initial vendor outreach: $1M • Cashless system & vendor payment: $2-3M • *Implementation time frame: 2+ years*
Operational Cost/ Savings	• UPC/SKU database maintenance: $1M+/yr • Appeals & penalties: $0.5-$1M/yr • Additional costs to vendors (especially training) • Ensuring vendor compliance can be costly • Requires value judgment on each UPC/product • Cashless system & vendor payment: $4.5M/yr
Impact on Clients & Vendors	• Unlikely to create additional burden on clients, but could increase stigma • Increases vendor effort, with potential to reduce vendor network • Hard for national retailers to implement in MA only

Not done by any states

UPC-level Blocking (+ Cashless)
E.g. restrict alcohol at supermarkets

Cashless + UPC-level Control [9]

How?

1. Screen each POS transaction item against a list of approved/ restricted UPC/SKU codes (hundreds of thousands of UPC/SKU codes exist, and new ones get added every day)

2. Tie all vendor... real time). At ... vendor syste... being purchas... restricted iten...

3. Vendors will e... integrate chan...s into existing cash register systems or deploy new POS devices

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Operational Cost/ Savings	• ...at): $1M • ...20M • ...-3M • ...-/yr • Appeals & penalties: $0.5-$1M/yr • Additional costs to vendors (especially training) • Ensuring vendor compliance can be costly • Requires value judgment on each UPC/product • Cashless system & vendor payment: $4.5M/yr
Impact on Clients & Vendors	• Unlikely to create additional burden on clients, but could increase stigma • Increases vendor effort, with potential to reduce vendor network • Hard for national retailers to implement in MA only

Ripples Perspective

This would be an irresponsible undertaking, wasting public and private funds on a very costly and risky yet still limited-impact option.

Not done by any states

Block All Cash Access

How?

1. Block all cash access at ATMs

2. Block cash back at POS—needs compliance from vendors as not possible with technology

3. Block money order purchases—needs compliance from multiple vendors (retailers + MoneyGram, etc.) as not possible with technology

4. Enable direct payments from DTA to vendors (e.g. rent & utilities)
   o Clients request payment via web/DTA office
   o Automatic payments to vendors & debit to client accounts
   o Reconciliation & audit

5. Disable transfers to bank accounts

6. [Introduce photo IDs to address trafficking]

Not done by any states

Category	Details	
Technical Feasibility	• Cash blocking at ATMs feasible; done in TX • Cash blocking at POS never implemented; not currently feasible through technology • Online payments option feasible; could be through smartphones & tablets too	
Security/ Control Benefits	• Strong impact on misuse • DTA able to track purchase locations & online payments • But clients can still purchase restricted products & get cash back unless vendors comply diligently	
Implementation Cost & Time	• Xerox blocking of ATMs: $50K • Online payment system integrated with BEACON: ~$1-2M • Retailer communications & training: $200K • Initial DTA training & vendor setup: $1M in staff • [Initial photo ID launch: $850K (cash assistance only)] • *Implementation time frame: 2 years*	
Operational Cost/ Savings	• DTA ongoing expenses: >200K direct payments per month + reconciliation = ~45 FTEs = $3M/yr • Transaction expenses: $2M/yr • Maintenance of online system: $300K • DTA vendor training: 5 FTEs = $350K/yr • Additional costs to vendors (especially training) • Savings to state on ATM surcharges: $1M/yr • [Cost of photo IDs: $500K/yr]	**Net: $4.5M/yr** without photo IDs
Impact on Clients & Vendors	• Online payment option promotes client independence • But no cash access poses significant client hardship • Creates incentive for EBT trafficking (1-4%, $4-16M risk) • Extra training burden on retailers; likely to be resisted • [Photo ID = extra stigma for cash vs. SNAP clients]	

Option 8 payments: simplified schematic

DTA Payment System

Direct deposit or check to vendor

Debit client's EBT account via BEACON
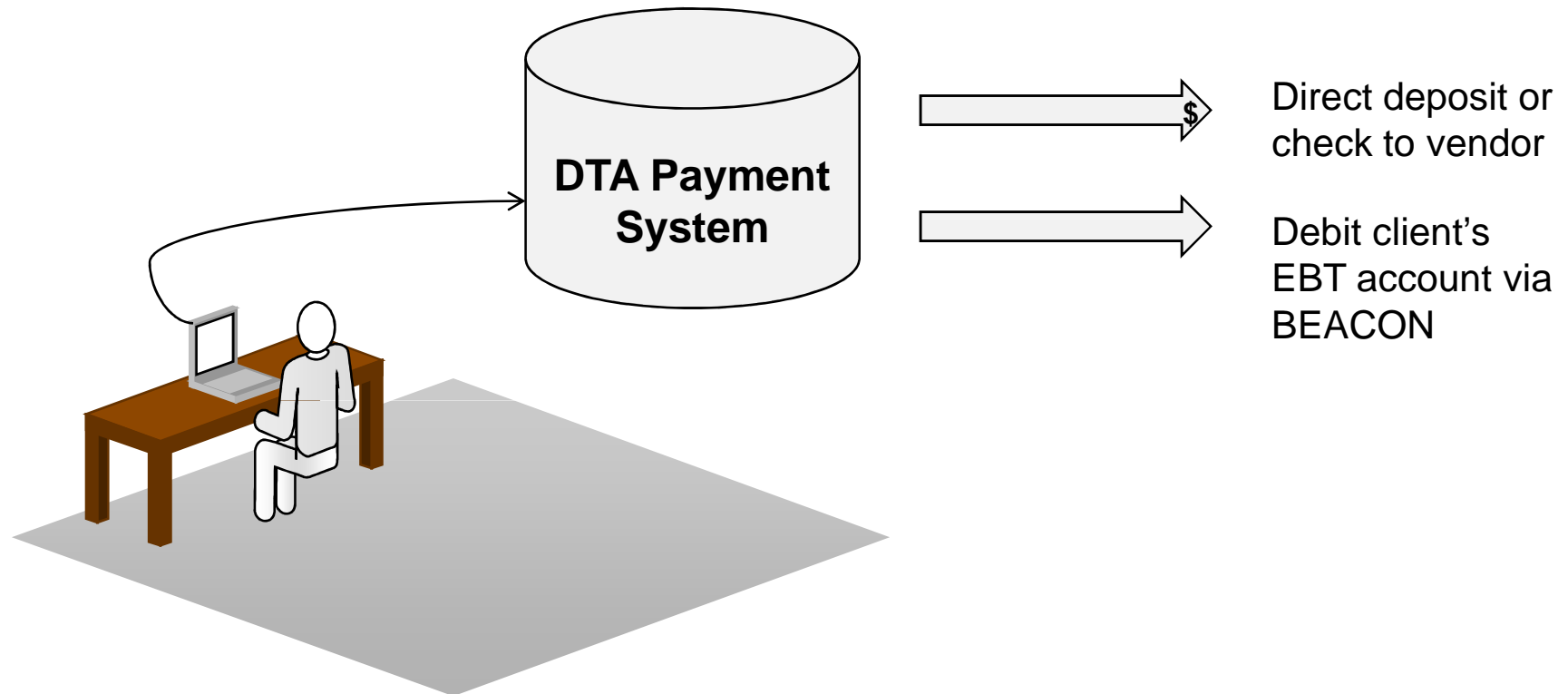
- Client requests payment on a computer, tablet, or smartphone (at home, at the library, at DTA offices …)
- System checks for available funds
- Client benefits from reporting and analysis tools

* This system does not exist at DTA today

$3M operational costs of online payments model

77K clients x average of 3 payments per month = 231K payments

Assumptions:
- 10% will require assistance
- 10 minutes each

231K payments x 10% x 10 minutes = 231K minutes per month
= 3,850 hours per month
= 26 FTEs at 37.5 hours per week
+ vacations/inefficiencies = 25%

= 32 FTEs

+ Team to audit & correct problems = 10 FTEs   **46 FTEs**

+ 4 supervisors

At $65,000 fully loaded cost = $3M per year

$2M transaction costs of online payments model

77K clients x average of 3 payments per month = 231K payments

Assumptions:
- 33% of payments are direct deposits to vendor accounts (ACH)
- 67% of payments are paper checks mailed to vendors

Cost per direct deposit (ACH) = $0.10
Cost per paper check = $1.00

Total cost for direct deposit (ACH) = $7,700 per month
Total cost for paper checks = $154,000 per month   **$162K**

Yearly cost = $2M

Source: US Treasury costs for SSI

Shortcomings in eliminating misuse

How can misuse still take place under Option 8?

Clients get cash back at POS devices	Clients puchase money orders or gift cards with EBT	Clients abuse the online payment system	Clients tie EBT accounts to new payment options
• While Option 8 requires retailers to block this functionality, the change is achieved not through technology but through human enforcement. Total compliance is difficult to achieve.	• These actions are impossible to stop through technology and difficult to enforce otherwise.	• It is hard for DTA to monitor inappropriate payments made via the new online system.	• Clients can tie their EBT cards to other payment systems—PayPal, Google Wallet, Amazon, and various new options emerging every day—to pull funds out of their EBT account. DTA only sees a transaction sum. • It is difficult to prevent all such payment options from accepting the EBT card.

Bottom line on Option 8

BETTER CONTROL	BUT AT A HIGH COST
• Reduce potential for misuse—but not completely • Better track flow of funds	• Operational costs of over $4.5M per year • $2-3M implementation cost
• Encourage responsible behaviors	• Significant client impact • Trafficking incentive (could be a big problem)

Long Term

- Better web access & literacy
- Increasing EBT network
- Lower-cost technology
- POS cash back blocking

Bottom line on Option 8

BETTER CONTROL	BUT AT A HIGH COST
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Ripples Perspective

This option is worthy of debate. It clearly addresses the CASHLESS challenge. But we believe the cost & risks are too high relative to the benefits at this point in time.

cess & literacy

T network

chnology

• POS cash back blocking

Restrict Cash to ~$100/Month

How?

1. Create third EPPIC account for each client (available cash vs. EBT funds vs. SNAP)

2. Block cash available at ATMs to predetermined amount

3. Block cash back at POS—needs compliance from vendors as not possible with technology

4. Block money order purchases—needs compliance from multiple vendors (retailers + MoneyGram, etc.) as not possible with technology

5. Enable direct payments from DTA to vendors (e.g. rent & utilities)
   o Clients request payment via web/DTA office
   o Automatic payments to vendors & debit to client accounts
   o Reconciliation & audit

6. Disable transfers to bank accounts

7. Introduce photo IDs to address trafficking

Not done by any states

	Incremental to Option 2	
Technical Feasibility	• Cash limiting at ATMs feasible; not done elsewhere • Cash blocking at POS never implemented; not currently feasible through technology	
Security/ Control Benefits		
Implementation Cost & Time	• Xerox system changes to limit cash: $500K-$1M • *Implementation time frame: 2 years*	
Operational Cost/ Savings	• Xerox 3rd account CPCM: $1M/yr • Lower savings on ATM transaction fees: -$500K **Net: $6M/yr**	
Impact on Clients & Vendors	• Lesser hardship on clients with more flexibility	

Restrict Cash to ~$100/Month

Only $100 in Cash/Mo **7**
No other cash available at ATMs/POS
EBT+ online bill payments
No direct deposit
No money orders
[Photo IDs]

How?

1. Create third EPPIC account for each client (available cash vs. EBT funds vs. SNAP)

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	...$500K Net: $6M/yr	
Clients & Vendors	• Lesser hardship on clients with more flexibility	

Ripples Perspective

This option is inferior to Option 8 as the cost goes up for very little extra benefit.

Block Select ATMs

How?

1. Screen all ATM transactions in EPPIC for targeted locations, and/or

2. Check for ATM machines accepting EBT cards in targeted locations (e.g. liquor stores)

3. Contact retailer to disable EBT card usage, and/or

4. Contact payment processor (directly or via Xerox) to disable EBT card usage

5. Payment processor blocks ATM machine by removing state BIN

6. Go back to 1

Technical Feasibility	• Feasible; 7,000 ATMs blocked in CA • Complex as many locations must be researched manually • ATM machines may move to new locations
Security/ Control Benefits	• Nudging factor; also helps public image of program • Not an effective way to control misuse as clients can access cash at other locations & via money orders • All ATM blocking in TX did not achieve to reduce cash usage • Effectiveness/impact difficult to evaluate • Reactive process: block locations after use
Implementation Cost & Time	• Xerox system changes: $100K • DTA initial ATM screening: $100K • *Implementation time frame: 3 months*
Operational Cost/ Savings	• Xerox operational cost: $100K/yr • DTA operational cost: $100K/yr
Impact on Clients & Vendors	• Makes it harder for some clients to access cash • But no client complaints filed to date in CA • Places burden on retailers to implement & maintain

Ripples Perspective

This option achieves only slight nudging. It is simply window-dressing.

Block Select ATMs & POS Devices

Block Select ATMs and POS
e.g. at liquor stores
6

How?

In addition to Option 5

1. Screen all POS transactions in EPPIC for targeted locations, and/or

2. Check for POS devices accepting EBT cards in targeted locations (e.g. liquor stores)

3. Contact retailer to disable EBT card usage, and/or

4. Contact payment processor (directly or via Xerox) to disable EBT card usage

5. Payment processor blocks POS

Technical Feasibility	• ATM blocking is feasible per CA and TX • POS blocking is possible but difficult due to non-unique terminal ID numbers; WA implementing by placing burden on retailers
Security/ Control Benefits	• Nudging factor; also helps public image of program • Not a decisive way to control misuse as clients can access cash at other locations & via money orders • Effectiveness/impact difficult to evaluate • Reactive process: block locations after use
Implementation Cost & Time	• Xerox system changes: $200K • DTA initial ATM & POS screening: $200K • ***Implementation time frame: 3-6 months***
Operational Cost/ Savings	• Xerox operational cost: $100K/yr • Higher for automated processes • DTA operational cost: $200K/yr
Impact on Clients & Vendors	• Makes it harder for some clients to access cash • Creates client hardship by also restricting purchases of allowed items at blocked POS devices • Places burden on retailers to implement & maintain

Ripples Perspective

This option achieves only somewhat more nudging. It is slightly more than window-dressing.

MA Restricted Locations (Current Legislation)

Restricted Location Type	Number of Locations in MA	Source
Liquor store	• Source 1: 1,900 liquor licenses (on- & off-premises) • Source 2: 1,345 liquor stores & 941 "drinking places" (bars)	• Boston Business Journal (2011) • US Census Bureau (2010)
Bar		
Casino	• 0 casinos • 7,504 lottery agents • 191 bingo halls • 3 horse-racing tracks	• Massachusetts State Lottery Commission (2011)
Adult entertainment	• Not available	--
Nail salon	• 351 nail salons • 2,455 beauty salons	• US Census Bureau (2010)
Tattoo parlor	• 77	• Tattooshoplistings.com (2012)
Firearms dealer	• 488 gun dealers • 3,290 federal firearms licensees	• Bureau of Alcohol, Firearms, Tobacco, and Explosives (2012) • FFLgundealers.net (2012)
Smoke shop	• 104	• US Census Bureau (2010)
Spa	• 364 (probably underestimated)	• Looking4spas.com (2012)
Total	**~16,500 restricted locations (9,000 without lottery agents)**	

Block Out-of-state ATM & POS Use

No Out-of-state ATMs or POS [4]

How?

1. Ask EBT processor to reject all cash transactions associated with merchant codes outside a given area (e.g. New England)

2. No action required from vendors or TPPs

Ripples Perspective

This option solves an immaterial problem that can be addressed in better ways.

Technical Feasibility	• Feasible; planned to go into effect in MN (six-state area) on 3/1/13
Security/ Control Benefits	• Negligible: <2% of MA EBT ATM transactions occur outside of New England
Implementation Cost & Time	• Xerox system changes: $200K • *Implementation time frame: 9 months*
Operational Cost/ Savings	• Xerox operational cost: $50K/yr • DTA process to address exceptions: $50K/yr
Impact on Clients & Vendors	• Creates hardship for clients traveling out of state in emergency situations (technology blocking is absolute)

No Cash to ③
High-risk
Clients
Identified by data
patterns
Bill payments by DTA

No Cash to High-risk Clients

How?

1. Identify high-risk clients through pattern analysis
   - Prior IPV convictions
   - Evidence of higher lifestyle (SLAM)
   - Frequent card replacement
   - Fraud in other state or federal programs (e.g. MassHealth, SNAP)
   - Other?

2. Investigate clients (audit sessions?)

3. If problems detected, stop providing direct deposit and EBT cards to them (possible stipend exception)

4. Instead, pay their bills directly & provide vouchers as needed

Ripples Perspective

This is a worthwhile undertaking. Will likely lead to better results over time.

Technical Feasibility	• Feasible, but accuracy of pattern recognition is unknown
Security/ Control Benefits	• Would create full control in identified problematic cases • Could change perceptions of enforcement levels and indirectly motivate better behaviors
Implementation Cost & Time	• Pattern recognition solution: <$100K • Internal DTA start-up expenses: <$100K • ***Implementation time frame: 3 months***

Operational Cost/ Savings	• DTA operational cost: $350K/yr
	   • 4 FTEs to investigate & process cases
	   • 1 FTE to pay bills for ~700 households in SSPS

Impact on Clients & Vendors	• No impact on majority of clients

Increased Education & Enforcement

How?

1. Pass legislation with stiffer penalties for program violations for clients & retail vendors

For Clients

1. Increase intensity of education on restrictions & penalties
2. Conduct random checks on card usage
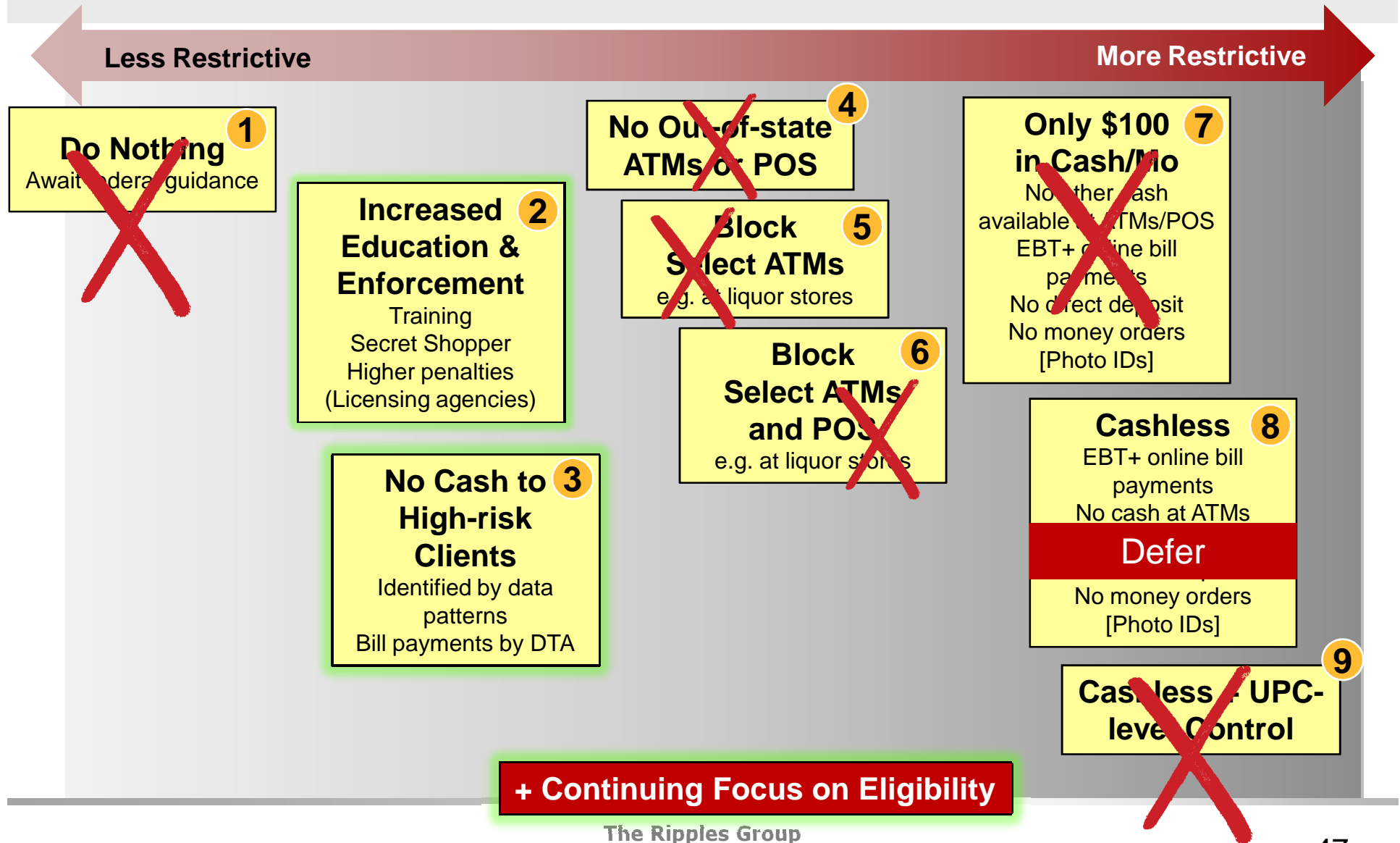3. Increase penalties
4. Publicize results

For Retail Vendors

1. Educate directly and indirectly via licensing agencies (e.g. ABCC)
2. Explore options for vendor registration with state
3. Provide cashier training materials and job aids

Ripples Perspective

This is aligned with approaches in SNAP. It is a sensible way forward.

Technical Feasibility	• Feasible—assumes higher penalties
Security/ Control Benefits	• Reduces the likelihood of inappropriate charges
Implementation Cost & Time	• DTA internal start-up expenses, including campaign to retailers: <$50K • *Implementation time frame: 6 months*
Operational Cost/ Savings	• DTA operational cost: $300K/yr (mostly in Secret Shopper & random checks) • Cost may be offset through increased penalties and fines
Impact on Clients & Vendors	• Low or no impact on clients and vendors not violating benefit terms of use • Higher responsibility and accountability for vendors

Summary of Ripples Recommendations

Less Restrictive ← → **More Restrictive**

Do Nothing 1
Await federal guidance

Increased Education & Enforcement 2
Training
Secret Shopper
Higher penalties
(Licensing agencies)

No Cash to High-risk Clients 3
Identified by data patterns
Bill payments by DTA

No Out-of-state ATMs or POS 4

Block Select ATMs 5
e.g. at liquor stores

Block Select ATMs and POS 6
e.g. at liquor stores

Only $100 in Cash/Mo 7
No other cash available at ATMs/POS
EBT+ online bill payments
No direct deposit
No money orders
[Photo IDs]

Cashless 8
EBT+ online bill payments
No cash at ATMs
Defer
No money orders
[Photo IDs]

Cashless + UPC-level Control 9

+ Continuing Focus on Eligibility

Agenda

- **New Information**

- **Recap & Recommendations**

- **Preliminary Vote on Options**

- **Draft Report**

- **Next Steps**

Agenda

- **New Information**

- **Recap & Recommendations**

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- **Next Steps**

Draft Ripples Report

- What is missing that should be in it?

- What is not clear?

- What needs edits?

Agenda

- **New Information**

- **Recap & Recommendations**

- **Preliminary Vote on Options**

- **Draft Report**

- **Next Steps**

Suggested Next Steps

- Ripples

  - Address questions and issues from today

  - Finalize Ripples Report to the Commission

- Cashless System Commission

  - Develop draft report to legislature (12/15)
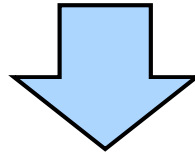
Commission Meeting on 12/20
Final Recommendations

Back-Up

Proposed options may impact EBT procurement

Option	Impact on EBT Contract & Procurement
1: Do Nothing	• No impact on EBT procurement or costs
2: Increased Education & Enforcement	• No impact on EBT procurement or costs
3: No Cash to High-risk Clients	• Could lower EBT costs by reducing number of clients issued EBT cash 　• EBT cash cases currently cost the state $1.499 per month
4: No Out-of-state ATMs or POS	• Current procurement does not include language to accommodate EBT processor efforts to reject all cash transactions associated with merchant codes outside a given geographic area
5: Block Select ATMs	• Current procurement includes language to accommodate the following technical changes: 　• Identifying locations where EBT transactions are prohibited 　• Blocking ATM transactions at specified locations • Potential financial impact on next contract cannot be evaluated until proposals are received
6: Block Select ATMs & POS	• Current procurement includes language to accommodate the following technical changes: 　• Identifying locations where EBT transactions are prohibited 　• Blocking ATM transactions at specified locations 　• Blocking EBT cash purchase transactions at specified locations • Potential financial impact on next contract cannot be evaluated until proposals are received
7: Only $100 in Cash/Month	• Current procurement includes language to accommodate the following technical changes: 　• Implementing a monthly limit in the amount of EBT cash that can be withdrawn from an ATM • Potential financial impact on next contract cannot be evaluated until proposals are received
8: Cashless	• Current procurement includes language to accommodate the following technical changes: 　• Restricting cash back from all POS purchases transacted with EBT • Potential financial impact on next contract cannot be evaluated until proposals are received
9: Cashless + UPC-level Control	• Current procurement does not include language to accommodate UPC-level control